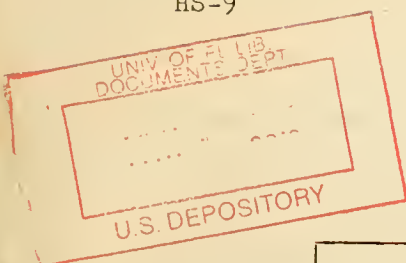


UNITED STATES DEPARTMENT OF AGRICULTURE
Bureau of Agricultural Economics
Washington

July 20, 1937.

HS-9

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T H E H O G S I T U A T I O N

This issue contains the significant facts relating to the summer outlook for hogs. A separate report on the Hog Outlook will not be issued this summer.

Summary

In the first half of the 1937-38 hog marketing year, beginning October 1, the number of hogs slaughtered will be smaller than in the corresponding period of 1936-37. Only a small decrease is expected in the total live weight of hogs slaughtered in this period, however, since average weights of hogs marketed are expected to be much heavier than a year earlier. With prospects fairly favorable for a continuation of the present relatively strong consumer demand for meats, hog prices next fall and winter probably will average as high as, or perhaps higher than in the fall and winter of 1936-37.

If the corn crop is about equal to the 1928-32 average, as was indicated by the July 1 Crop Report, supplies of corn for hog feeding will be larger than for several years. In view of short supplies of hogs in prospect, the larger supply of corn probably will be reflected in a fairly high hog-corn price ratio by late fall or early winter. This will encourage producers to delay marketings of spring pigs in order to feed to heavier weights. Consequently the proportion of this year's spring pigs marketed before January 1 may be much smaller than usual, and the seasonal decline in hog prices this fall may be less than average.

Hog prices advanced sharply in May, and in early July reached the highest level in about 9 years. This advance in prices was brought about chiefly by a marked decrease in hog marketings. With a smaller number of hogs over 6 months of age on farms June 1 than a year earlier, market supplies of hogs are likely to continue small during the remainder of the summer. Hog prices, therefore, are expected to be well maintained in late summer and early fall, and they may make some further advance.

The return of hog production to a normal level depends largely upon corn production this year and in the next 2 or 3 years. If the 1937 corn crop proves to be as large as now indicated there will be a considerable increase in the number of pigs raised in 1938. This upward trend in hog production will be stimulated if there is an average or better than average corn crop in 1938. But even under continued favorable conditions it does not seem likely that hog slaughter will reach the average of the 5 years preceding the 1934 drought before at least 1940.

REVIEW OF THE 1936-37 HOG MARKETING YEAR

Slaughter supplies of hogs thus far in the current hog marketing year have been somewhat larger than those of the preceding year but much smaller than average. Consumer demand for hog products has improved materially and demand conditions are now more favorable than for several years. Hog prices in 1936-37 averaged slightly higher than those of a year earlier, but as a result of the short feed grain supplies caused by the severe drought last year, corn prices this year have been higher than at any time in the past 16 years. As a consequence, the hog-corn price ratio has been unfavorable for hog production even though hog prices have been high in relation to those of other recent years.

1936 pig crops marketed early

The 1936 spring pig crop was 29 percent larger than that of 1935, and the fall pig crop of last year was 6 percent larger than that of a year earlier. Because of the short supplies and high prices of feed grains, the market movement of both the spring and fall pig crops began earlier than usual. The seasonal increase in hog slaughter during October, November and December 1936 was greater than average. And the total for those months was much larger than that of a year earlier and represented a much larger than average proportion of the total slaughter for the winter season. After December, hog slaughter was reduced but it continued larger through April than a year earlier. Marketings of fall pigs, which normally are in largest volume in May and June, began in March this year and by the end of April a much larger-than-usual proportion of such pigs had been marketed.

Inspected hog slaughter, specified periods

Period	: 5-year	:	:	:
	: average	:	:	:
	: 1929-30 to	: 1934-35	: 1935-36	: 1936-37
	: 1933-34	:	:	:
	: Thousands	Thousands	Thousands	Thousands
Oct. - Dec.:	12,607	12,054	7,432	12,464
Jan. - Apr.:	16,097	9,793	10,923	12,204
Oct. - Apr.:	28,704	21,847	18,355	24,669
May - June:	7,665	4,000	5,319	4,208
Oct. - Sept.:	45,354	30,680	31,022	1/34,500

Bureau of Animal Industry.

1/ Tentative estimate.

Although many producers marketed fall pigs early, a considerable number of such pigs apparently have been put on pasture and will be finished on the new crop of small grains this summer and on the new crop of corn this fall. As a result of this shift in the time of marketing, hog slaughter in May was sharply reduced and continued small during June. For the 2 months, May and June, inspected hog slaughter, except for 1935, was the smallest in more than 40 years. From October through June, inspected slaughter totaled 28,877,000 head, an increase of 22 percent over that of the corresponding 9 months a year earlier.

Storage holdings reduced since early spring.

The increase in storage stocks of hog products during the first 5 months of 1936-37 marketing year was much greater than average. On October 1, 1936, stocks of both pork and lard were below average, but by March 1, 1937, they were considerably above average and were much larger than those on the corresponding dates of either 1935 or 1936. March 1 stocks of pork and lard exceeded those of a year earlier, by 448 million pounds. This increase was equivalent to the products obtainable from 2,800,000 hogs of average market weight. With a much smaller hog slaughter in May and June than in the earlier months of the year, storage holdings of pork and lard have been reduced materially since May 1. A decrease in pork stocks usually occurs during the summer, but lard stocks normally increase until August 1. July 1 stocks of pork, although larger than a year earlier, were somewhat smaller than the 1929-33 average for that date. Stocks of lard on July 1 were larger than average and much larger than on July 1 last year.

Storage holdings of pork and lard, specified periods

Date	: 5-year average :							
	: 1929-30 to		: 1934-35		: 1935-36		: 1936-37	
	: 1933-34							
	: Pork	: Lard	: Pork	: Lard	: Pork	: Lard	: Pork	: Lard
	: 1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	: pounds	pounds	pounds	pounds	pounds	pounds	pounds	pounds
Oct. 1	530,300	109,087	524,220	128,054	277,605	45,350	361,608	101,796
Jan. 1	565,206	71,671	687,563	118,107	326,777	52,718	666,891	145,809
Mar. 1	758,930	102,796	666,598	110,197	451,418	78,725	775,688	202,476
July 1	713,460	149,526	445,307	84,680	435,130	106,774	1,580,825	1,185,567
	:	:	:	:	:	:	:	:

1/ Preliminary.

Hog prices reach 9-year high in July

Hog prices thus far in 1936-37 have followed a course somewhat different from the usual seasonal pattern. Instead of declining from October through December as they usually do, prices were fairly steady and they advanced moderately in late December and early January. From February through April there was little change in prices, the Chicago weekly average fluctuating around the \$10 level during most of that period. In most years prices have advanced in late February and March. In the last half of May hog prices advanced sharply; while ordinarily they decline during May. In June, prices declined slightly, but during early July they advanced to a higher level than in late May. The average price of hogs at Chicago for the first week of July was \$11.69 which was nearly \$2 higher than a year earlier and the highest weekly average since September 1928.

In the first 9 months of the present marketing year (October through June), hog prices averaged slightly higher than in the same period in 1935-36. Since slaughter supplies have been larger this year than a year earlier, the higher average price reflects both a stronger storage demand and a greater consumer demand this year than last. Total payments by packers for hogs slaughtered under Federal inspection from October through June 1936-37 were about 17 percent greater than those of the corresponding months of 1935-36.

OUTLOOK

Prospective supplies in 1937-38

The number of hogs slaughtered during the coming marketing year, which begins October 1, will be somewhat smaller than that of the current marketing year but probably larger than in either of the 2 previous marketing years, in which the number slaughtered under Federal inspection approximated 31 million head. Present indications point to an inspected slaughter in the current marketing year, ending September 30, of about 34,500,000 head. Inspected slaughter from the pig crops of 1930 to 1933, inclusive, ranged from 43,500,000 to 47,100,000 head.

The extent to which hog slaughter in the 1937-38 marketing year will be smaller than that of the current year will depend largely on the size of the 1937 fall pig crop. The spring pig crop this year for the entire country was estimated to be about 3 million less than the 1936 crop. This is a decrease of 7 percent. In the Corn Belt States the decrease in numbers was slightly greater than for the country as a whole, amounting to 3,157,000 head, or 10 percent.

As to the number of sows likely to be retained for farrowing in the fall of 1937, the Bureau's June Pig Report indicated a probable reduction of slightly more than 3 percent from the number farrowed in the fall of 1936. If the number farrowing should be about as indicated and the average number of pigs per litter should be equal to that of last fall, the combined spring and fall pig crop of 1937 will be about 4 million less than the combined crop of 1936. This would be a decrease of about 6 percent.

The size of the fall pig crop will depend to some extent on corn crop prospects during the remainder of the growing season. In view of the present favorable prospects for the corn crop, farmers may retain more sows for fall farrowing than was indicated by the June report. The total number of pigs raised this year, therefore, may be somewhat greater than that indicated in the report.

Corn crop prospects dwindled rapidly in the summer of 1936 as drought conditions became steadily worse in the greater part of the Corn Belt. The unfavorable conditions caused hog producers to dispose of many brood sows that otherwise would have been retained. Marketings of packing sows from June to September comprised a larger than average proportion of slaughter supplies and marketings of spring pigs in August and September were relatively large in August and September. Hence, total slaughter during that period was much larger than had been anticipated earlier in the year. Crop conditions this year are practically the reverse of those in the summer of 1936, and it is expected that total marketings of packing sows this summer and fall will be relatively small and that very few spring pigs will be marketed before October.

New crop hogs likely to be marketed late and at heavy weights

The larger supplies of feed expected to be available this fall as compared with a year earlier will cause producers to feed hogs to heavier weights and sell them somewhat later than they did in the winter of 1936-37. The seasonal distribution of hog marketings during the 1937-38 marketing year, therefore, will be much different from that of the present year. Slaughter during the first 3 months, October to December, will comprise a relatively small proportion of the yearly total and also of the total for the first half of the year. In numbers, the total during the October - December quarter probably will be larger than in the corresponding period of 1935 but smaller than in the same period of 1936. The proportion of the winter slaughter supply which is marketed from January to March, inclusive, is expected to be considerably larger than that marketed from October to December, whereas in recent years the proportions marketed in these two periods have been about the same.

Average weights of hogs marketed in the 1937-38 marketing year are likely to be somewhat heavier than in the current year but possibly not greatly different from those of other years of average corn crops. This expected increase in weights will offset in large part the probable reduction in the number of hogs slaughtered. Total supplies of pork and lard, therefore, probably will not be very much smaller than those in 1936-37.

Domestic demand for hog products improved

Consumer demand for meats improved materially from 1933 to 1936. In the latter year retail expenditures for federally inspected meats consumed in the United States were approximately 10 percent greater than in 1935 and more than 40 percent larger than at the depression low level of 1933. The marked improvement in consumer demand for meat since 1933 has resulted from the material increase in incomes of consumers brought about by the increases in industrial activity, employment and wages. Estimates of the Department of Commerce show that the national income paid out in 1936 was 14 percent larger than in 1935 and nearly 40 percent greater than in 1933.

In the last half of 1936 there was a considerable increase in industrial activity and incomes of consumers as compared with the corresponding period a year earlier. Likewise consumer expenditures for meats showed a substantial increase during this period. In the first half of 1937, the increase in industrial activity over the corresponding months a year earlier was much less marked than that indicated for the last half of 1936, and retail expenditures for pork and for all meats in the first half of 1937 were about equal to those of a year earlier.

Prospects as to the probable consumer demand for meats in the last half of 1937 and in early 1938 are now rather uncertain. In view of the recent tendency for industrial activity to level off and the lack of definite signs pointing to a continuance of the rise, it seems unlikely that this demand will experience an increase in the last half of 1937 such as occurred during the last 6 months of 1936. On the other hand, there is no indication that it will weaken appreciably in this period. Thus, a relatively stable demand for meats during the remainder of 1937 seems to be the most logical assumption.

Hog prices next fall and winter to average as high as year earlier

Since slaughter supplies of hogs during the remainder of the 1936-37 marketing year, ending September 30, are expected to be considerably smaller than a year earlier, hog prices during the next few months are expected to be well maintained near the level of mid-July. A further moderate advance in prices in this period may occur if supplies are reduced much below the low level of May and June.

With prospects for a slightly smaller tonnage of hogs to be marketed in the fall and winter of 1937-38 than a year earlier and for the maintenance of a fairly high level of consumer demand, hog prices in this period probably will average as high as and perhaps higher than in 1936-37. The average price paid by packers for hogs slaughtered under Federal inspection from October through April 1936-37 was about \$9.75.

Seasonal changes in hog prices during the next marketing year cannot be predicted now with any degree of certainty since neither the corn crop nor the fall pig crop of this year is known. With relatively small slaughter in prospect for the first 3 months of the marketing year, the decline in hog prices during this period (October-December) may be somewhat less than usual and prices in these months probably will be high in relation to prices prevailing in the late winter. The level of prices from October through January or later will depend partly upon the demand of packers for hog products for storage. The storage demand in the early months of 1937-38 may not be as strong as it was a year earlier, since prospects for slaughter supplies the following summer may be somewhat different in late 1937 than they were in late 1936.

If the 1937 corn crop is about equal to average, it seems probable that hog slaughter in the 1937-38 winter marketing season will represent a smaller than usual proportion of the yearly total. In this event hog prices in the winter season of the coming marketing year may be higher than usual in relation to prices prevailing during the following summer.

Pork and lard exports continue small

Exports of hog products thus far in 1936-37 have continued near the low level of 1935-36, and have been much smaller than the exports of all post-war years prior to 1935. Exports of pork and lard decreased materially from 1925 to 1933 chiefly because of increased hog production in Europe and restrictions placed on imports in several foreign countries. A further marked reduction in exports occurred in 1934-35 and 1935-36 as a result of short supplies and high prices of hogs and hog products in this country. In the years 1925-29 the average annual exports of hog products were roughly equivalent to the products obtainable from about 7 million hogs of average market weight, or about 15 percent of the average number of hogs slaughtered under Federal inspection during that period. In 1935-36 exports were equivalent to only about .1 million hogs, or about 3 percent of inspected hog slaughter.

Exports of pork and lard, specified periods

Year beginning Oct. 1	Pork	Lard
	1,000 pounds	1,000 pounds
Average,		
1924-25 to 1928-29 ..:	380,457	742,624
1929-30 to 1933-34 ..:	178,550	596,005
1934-35	104,279	142,060
1935-36	69,189	101,151
Oct. - May,		
1935-36	41,882	68,461
1936-37	40,391	72,314

United States Department of Commerce. Pork includes bacon, hams and shoulders, and fresh canned and pickled pork. Lard includes neutral lard.

Exports of pork, mostly hams, and of lard, to the United Kingdom have continued in limited volume during the past 2 years. British imports of pork from non-Empire countries have been limited by a quota since late 1932. The share of the United States in the total import quota during the past 3 years has been 8.1 percent. In 1936-37, however, exports from the United States to Great Britain have not been sufficiently large to fill this quota, and the unfilled portion has been temporarily allocated to other countries. Exports of lard from the United States to Germany have been negligible in the past 2 years because of foreign exchange restrictions adopted by the German Government. Germany formerly imported from 100-300 million pounds of American lard annually. Shipments of lard to Cuba have increased greatly since the Cuban duty on lard was lowered by the Cuban trade agreement in 1934, but exports to Cuba are still considerably smaller than they were for several years prior to 1931.

Imports of pork increase in 1937

Imports of pork thus far in 1936-37 have been considerably larger than in 1935-36, and much larger than average. They continue to be very small, however, in relation to domestic production. In December 1936, probably for the first time on record, imports of pork were larger than exports of that product. Larger imports than exports also were reported from January through March 1937. For the period October through May 1936-37, the combined imports of pork and live hogs were equivalent to about 450,000 hogs of average market weight. Inspected hog slaughter in the United States during this period totaled 26,763,000 head. Since the total imports of hogs and pork in the present year are equivalent to only about 1-1/2 percent of inspected slaughter in this country, it is evident that prices of hogs in the United States have not been affected appreciably by the increase in imports.

Imports of pork, specified periods

Year beginning Oct. 1	Hams, Pork, fresh	shoulders, and bacon	Pork, pickled, salted, and other	Total
	1,000 pounds	1,000 pounds	1,000 pounds	1,000 pounds
Average, 1929-30 to 1933-34	924	1,957	1,110	3,991
1934-35	3,225	3,233	879	7,337
1935-36	9,942	19,886	2,522	32,350
Oct. - May, 1935-36	5,128	10,655	1,676	17,459
1936-37	12,487	28,347	3,044	43,878

United States Department of Commerce. Beginning January 1, 1934, imports for consumption; general imports prior to 1934. "Supplies of vessels" included since January 1934.

The increase in pork imports in the present year has been largely in shipments of canned hams, mostly from Poland. The principal reason for the increase in pork imports has been the greater advance in prices of hogs and hog products in the last 3 or 4 years in this country than in foreign countries. For example, the average price of hogs at Chicago in early 1937 was about 160 percent higher than in 1932; in Canada hog prices were about 100 percent higher in early 1937 than in 1932, while in Poland the rise in prices during this period amounted to only about 50 percent.

A marked increase in hog slaughter in European countries was reported in the last quarter of 1936 and slaughter has continued large in the first half of 1937. Latest census enumerations for hogs and the high level of feed prices in Europe, however, indicate that there will be some decrease in European hog slaughter in late 1937 and early 1938.

Europe as a whole, generally produces a smaller quantity of hog products than is needed for European consumption requirements. The increase in hog production in Europe in recent years, however, has reduced materially the need of European countries for imported pork. On the other hand, fat production in Europe is still considerably short of European needs for fat. In some European countries increased hog production has been made possible by larger imports of feedstuffs.

In view of these considerations, it seems unlikely that exports of pork from European countries to the United States will ever become large, despite the recent increase in imports of hams from Poland. If feed crop production in the United States in 1937 and 1938 returns to a normal level, hog production will increase greatly. Under such conditions a considerable decrease in imports of pork will occur, and it is likely that the United States will again become a net exporter of pork.

LONG-TIME PRODUCTION OUTLOOK

The effects of the droughts of 1934 and 1936 on hog production were much more severe than on that of other species of livestock. At the beginning of 1937 the number of hogs on farms, totaling 42,774,000 head, was more than 30 percent smaller than on January 1, 1933. More than two-thirds of this reduction occurred in the Western Corn Belt. In 1933 the number of hogs in this area represented 46 percent of the United States total, but by January 1, 1937 this proportion had been reduced to 34 percent.

The 1937 spring pig crop in the Corn Belt States was 32 percent smaller than the 1932-33 average. The decrease from this average in the Western Corn Belt was 38 percent and in the Eastern Corn Belt 17 percent. In the States outside the Corn Belt the spring pig crop was only 5 percent less than the 1932-33 average. In the past 3 years an increasing proportion of the slaughter supplies of hogs has come from areas outside the Corn Belt, notably the Southern States.

Spring pig crop, by geographic divisions, 1932-37

Year	North Central States			Other States	United States
	East	West	Total		
	Thousands	Thousands	Thousands	Thousands	Thousands
1932.....	12,237	27,470	39,707	11,324	51,031
1933.....	13,475	28,462	41,937	11,523	53,460
1934.....	10,202	20,206	30,408	9,290	39,698
1935.....	8,880	14,597	23,477	8,961	32,438
1936.....	10,579	20,462	31,041	10,795	41,836
1937.....	10,641	17,243	27,884	10,895	38,779

The return of hog production in the Corn Belt to normal depends largely upon corn production this year and in the next 2 or 3 years. If the corn crop this year is fairly large, as now seems probable, there will be a considerable increase in the 1938 spring pig crop. A corn crop of average size in 1938 would further stimulate hog production. But even under favorable conditions it does not seem likely that hog slaughter will reach the average of the 5 years preceding the 1934 drought at least before 1940. In areas outside the Corn Belt, where hog production is now nearly as large as it was before the 1934 drought, no marked increase in production is expected in the next few years. Some increase in the South, however, is possible in view of the present high level of hog prices and the increased acreage of feed crops in that area.

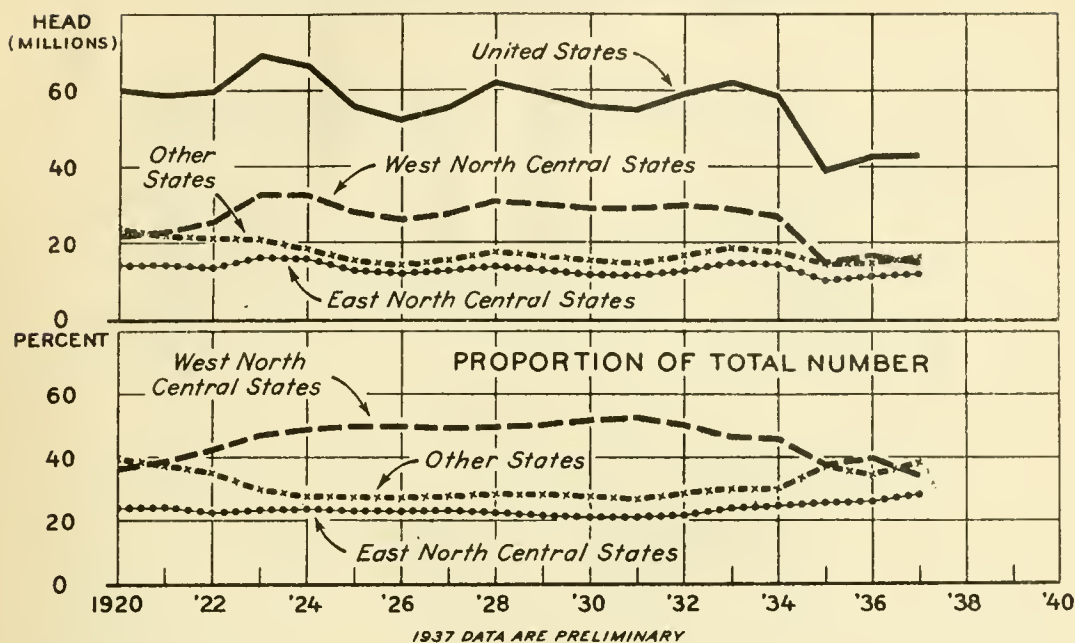
If the number of pigs raised in the Corn Belt increases in the next 2 or 3 years, hog slaughter also will increase beginning, perhaps in late 1938. Hog prices, of course, would be lowered by such an increase in supplies, unless there is a corresponding increase in consumer demand for meats. Nevertheless an increase in hog production seems highly desirable both from the standpoint of producers and consumers. In order for producers to realize something like maximum total returns from hog production at the present level of demand an increase of from 20 to 25 percent in hog slaughter from the 1937 level appears necessary.

In the years from 1922-34, inspected hog slaughter fluctuated roughly between 42 and 54 million head, and the yearly per capita output of pork ranged from 66 to 85 pounds. During this period, with the variations that occurred in supplies and with the prevailing demand there was a distinct tendency for the total income to hog producers to vary inversely with the supply of hogs. That is, a large supply at a given level of demand, brought smaller total returns than a small supply. As a result of the droughts of 1934 and 1936 the yearly inspected hog slaughter was reduced to 31 to 34 million head in 1935-37, and the per capita production of pork varied between 46 and 58 pounds in this period. It appears that this volume of production was so much below the level of the previous 12 years that total income from the sale of hogs in the last 3 years would have been greater if hog production had been substantially larger. A substantial increase in income, however, did occur in this period, but it resulted from causes other than the greatly reduced supplies.

Since most of decrease in hog production occurred in the Corn Belt, especially in the western part of that area, the effects of the severe droughts upon income to hog producers in the Corn Belt are evident. Increased production of feed grains and hogs in the next 2 or 3 years in the Corn Belt, therefore, is necessary if livestock production and farm income from livestock are to regain their former importance in that region.

If feed crop production in next 5 or 6 years is average or better than average, it is possible that in the latter part of this period hog production will reach a level equal to or greater than the average of 5 years preceding the 1934 drought. Such a level of production probably would be in excess of that necessary to provide maximum returns to hog producers. Also during this period if weather and feed conditions are favorable it seems probable that there will be an upward trend in cattle numbers. Thus at the end of the next 5 years, it is possible that the number of both cattle and hogs will be as large as or larger than the average for the 10 years, 1924-33. Such a level of livestock population probably would result in a volume of meat production considerably in excess of that in the last 3 years.

HOGS: NUMBER ON FARMS JANUARY 1, UNITED STATES AND BY GEOGRAPHIC DIVISIONS, 1920 TO DATE



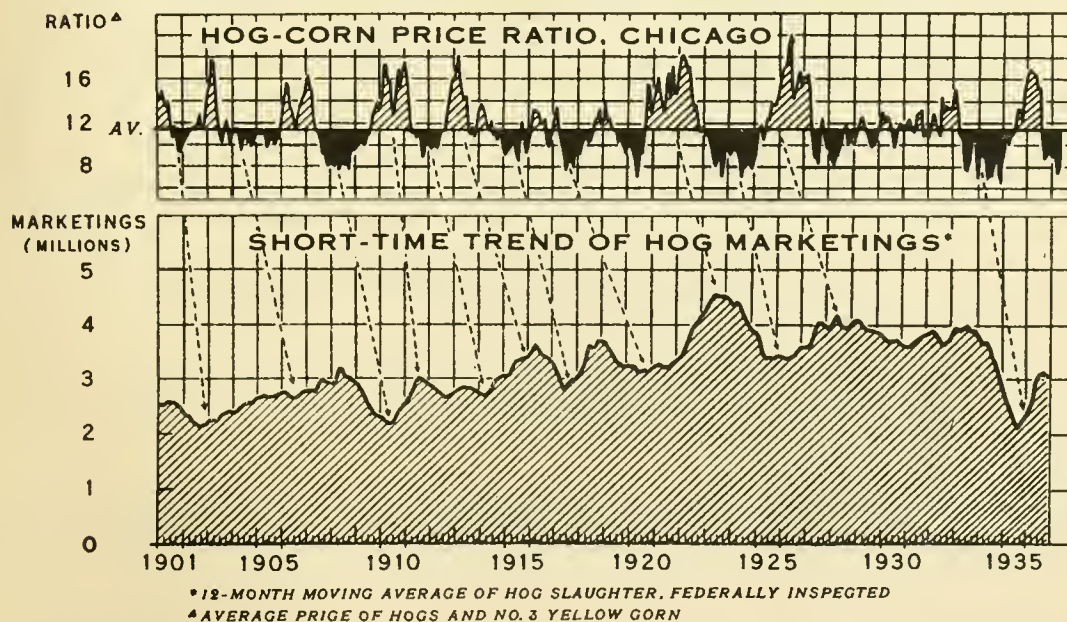
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FIGURE 1

HOG-CORN PRICE RATIOS AND HOG MARKETINGS



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FIGURE 2

SPRING PIG CROP, AND FEDERALLY INSPECTED HOG SLAUGHTER DURING FOLLOWING OCT.-APR., UNITED STATES, 1924 TO DATE

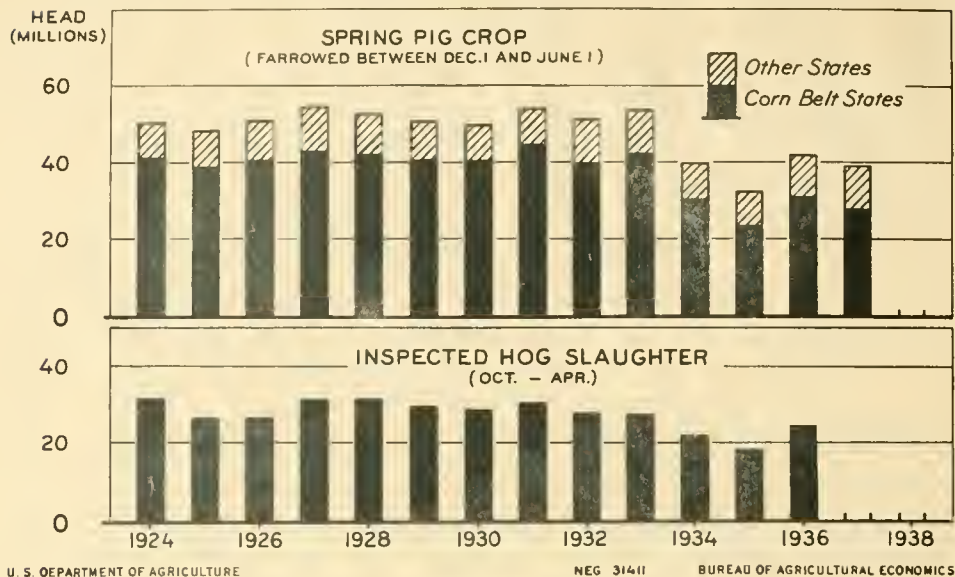


FIGURE 3.- THE 1937 SPRING PIG CROP WAS 7 PERCENT SMALLER THAN THE SPRING CROP IN 1936, WITH MOST OF THE REDUCTION OCCURRING IN THE WESTERN CORN BELT. THE SMALLER SPRING PIG CROP THIS YEAR WILL BE REFLECTED IN A REDUCED NUMBER OF HOGS SLAUGHTERED DURING THE FIRST HALF OF THE COMING MARKETING YEAR, WHICH BEGINS OCTOBER 1.

HOGS*: AVERAGE PRICE AT CHICAGO, OCTOBER 1901- SEPTEMBER 1903, AND OCTOBER 1934 TO DATE

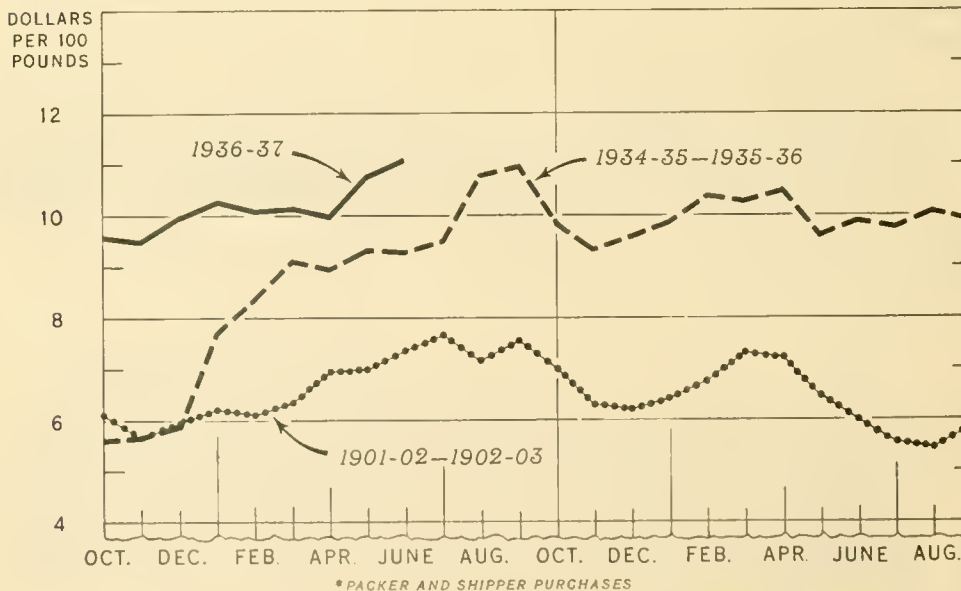


FIGURE 4.- IN YEARS FOLLOWING SHORT CORN CROPS, HOG PRICES HAVE TRENDED UPWARD, REACHING THE HIGHEST LEVEL FOR THE YEAR DURING THE SUMMER MONTHS. THIS WAS TRUE IN 1901-02 AND IN 1934-35, AND ALSO IN THE PRESENT YEAR, 1936-37. WITH A MUCH LARGER CORN CROP IN 1902 AND 1935, THAN A YEAR EARLIER, HOG PRICES IN 1902-03 AND IN 1935-36 DID NOT REACH AS HIGH A LEVEL AS IN THE PRECEDING YEAR. IF THE 1937 CORN CROP IS ABOUT AVERAGE, THE TREND IN HOG PRICES IN 1937-38 MAY BE SOMEWHAT SIMILAR TO THAT IN 1902-03 AND IN 1935-36.